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[REDACTED]

DIRECTORATE OF INTELLIGENCE

DECEMBER 1985

CENTRAL AMERICAN MONTHLY REPORT #29 [REDACTED]

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* * *

PERSPECTIVE

Over the past year, [REDACTED]
[REDACTED] press reporting have reflected a general increase in the intensity of the fighting in Nicaragua, with both sides incurring substantially greater casualties. Although Miskito Indian guerrillas in the northeast and Eden Pastora's forces along the Costa Rican border dwindled in strength and effectiveness, the Nicaraguan Democratic force (FDN) grew by 2,500 men to a year-end strength of some 17,000, [REDACTED]

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[REDACTED] Moreover, the FDN succeeded in widening the war beyond the traditional northwest combat zone by reactivating fronts in the central highlands and south-central Nicaragua.

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[REDACTED] Despite the continuing vulnerability of their tenuous air resupply arm, the rebels undertook aggressive attacks in Esteli and Chontales Departments in mid-summer and along the vital arms route from Rama to Managua in the fall, according to press reporting. [REDACTED]

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For its part, the regime continued to upgrade its capabilities throughout the year. Managua organized additional

This memorandum was prepared by the Central America North and South Branches, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 3 January 1986. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA, [REDACTED]

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[REDACTED]
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[REDACTED]

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counterinsurgency battalions--

[REDACTED]

[REDACTED]

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[REDACTED]

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The FDN's resupply capabilities, moreover, have remained uncertain. [REDACTED]

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insurgents in Honduran bases has continued to fluctuate with the availability of supplies and the ability of the rebel air arm to drop materiel to units inside Nicaragua. By year's end, some 8,000 insurgents were in Honduras. [REDACTED]

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[REDACTED] Tegucigalpa, angered by negative publicity over the delivery of US nonlethal aid in October, blocked further shipments in December and has not indicated when the ban will be lifted. [REDACTED]

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The rebels' use of an SA-7 surface-to-air missile to down a MI-8 helicopter on 2 December has been portrayed by the Sandinistas as a dangerous escalation of the war. Managua publicly warned that leftist guerrillas in El Salvador could also acquire the weapon. [REDACTED]

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The regime, meanwhile, does not appear to have reduced the use of its helicopters as a result of the loss and has shown a continuing interest in improving air capabilities by using forward airfields and transferring many aircraft from Managua to the new airbase at Punta Huete. [REDACTED]

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[REDACTED]

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Looking ahead, the Sandinista military will face a wider and more costly war if rebel supply problems are overcome. Nonetheless, we expect that it will be able to meet the insurgent challenge over the next several months. [REDACTED]

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EL SALVADOR

The US Embassy reports that, after 18 months of economic policy drift, President Duarte was set on following through with an economic stabilization program. The plan will attempt to balance increased taxes, limits on domestic credit, and a de facto devaluation with a new wage increase and subsidies on basic foodstuffs and bus fares. Duarte has met with labor, business, political, and military leaders in an attempt to dampen expected opposition. Nevertheless, the US Embassy reported that there are few sweeteners for the private sector and that leftist-dominated labor unions are likely to launch a new wave of strikes when the austerity measures are announced in January. [REDACTED]

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Within the insurgent alliance, the sometimes contentious relationship between the political and military wings publicly surfaced with press reports that a split between the two groups was imminent. Exiled dissident political leaders also reportedly were set to return to El Salvador and contest openly for political power. Both sides quickly denied the reports, although the US Embassy reported that some exiled politicians, in fact, have returned. There is no indication, however, that the FMLN is about to undergo a fundamental political or military realignment. [REDACTED]

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The leftists attempted to gain a propaganda advantage by contrasting their "willingness" and the government's "refusal" to renew their dialogue. The US Embassy reported that in a mid-month "National Forum" at the national university, speakers roundly criticized the government's refusal to negotiate, its human rights policy, and its barring of leftist politicians who supposedly wanted to return to participate in the conference. Later in the month, the rebels announced a unilateral holiday truce and then quickly accepted a longer Church-sponsored cease-

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fire. []

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Relations between President Duarte and the military remained strained. [] military commanders are upset with what they see as the lack of civilian support for the war and Duarte's refusal to discipline corrupt and inefficient officials. In a letter sent to Duarte, senior commanders openly suggested that several key civilians be replaced. []

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This strain was highlighted by the government's clumsy handling of the 10-day Church-sponsored truce. The government's announced acceptance of the truce on 24 December was followed by the open refusal of several military commanders to accept the cease-fire. Although the government ultimately stated that it had reached agreement to stand down on offensive operations, it is clear that many commanders continued to carry out operations "as usual." Although reporting indicates that the high command remains loyal, in our judgment the confusion surrounding the truce further damaged the government's image with the military.

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Little change occurred in the military balance. []

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[] On 20 December the armed forces launched a nationwide campaign--"Operation Hammer"--designed to disrupt guerrilla base camps and supply lines and prevent an end-of-year spectacular attack. []

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Meanwhile, the guerrillas continued to rely on small-unit operations, including economic sabotage and stepped-up mining. In one attack, an estimated \$2 million worth of export-ready coffee beans were destroyed, according to Salvadoran sources in press reports. []

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HONDURAS

Despite behind-the-scenes maneuvering throughout December by politicians and military officers opposed to President-elect Jose Azcona, preparations remained on track for the 27 January inauguration. The US Embassy reported that no serious legal challenge to the election was made to the Supreme Court by the 2 January deadline. Opposition National Party leader Rafael Callejas, who as top votegetter in November was in the strongest position to protest the electoral law, reportedly preferred to use the threat of a challenge to gain political concessions from Azcona. Embassy and defense attache reporting also indicated

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[redacted]

that the armed forces were willing to accept Azcona, even though several officers claiming to represent the high command reportedly offered to "guarantee" Callejas a favorable judgment in a challenge before the Supreme Court. [redacted]

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Outgoing President Suazo--in an effort to remain in office--appeared to be behind much of the maneuvering. [redacted]

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[redacted] Suazo may still attempt to have Azcona disqualified on the unproven charge that he was not born in Honduras. We believe, however, that the military is unlikely to tolerate his last-minute efforts to disrupt the inauguration. [redacted]

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Azcona's cabinet choices--not yet formally announced at month's end--appeared aimed at avoiding the alienation of any major political actors. [redacted]

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GUATEMALA

Christian Democratic candidate Vinicio Cerezo's strong electoral showing provides him a mandate for reform, but we believe he will move cautiously in order not to alienate key interest groups in implementing much-needed economic austerity measures, challenging the military, or significantly reversing Guatemala's policy of neutrality in the region. Cerezo, a center-leftist, defeated his opponent Jorge Carpio, the leader of the National Centrist Union, by a two-to-one margin in the 8 December runoff. The US Embassy cited the broad appeal of the Christian Democrats, the financial collapse of Carpio's campaign, and the declining popularity of the far right as factors in Cerezo's victory. [redacted]

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In December, Cerezo concentrated on obtaining foreign support and economic backing for his administration. In an effort to end Guatemala's international isolation, he made quick visits to the other Central American nations and to the United States, Colombia, Venezuela, and Mexico. He billed his stops in San Salvador, San Jose, Tegucigalpa, and Managua as the first steps toward increasing Guatemalan involvement in regional

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affairs. In Central America and elsewhere, he said his administration would follow a policy of "active neutrality" in the region that appeared to include more direct communication with Nicaragua and improved relations with Guatemala's other neighbors. Although he likely will attempt to craft what he sees as a more "balanced" regional policy, we believe any changes will be tempered by his recognition of the armed forces' continued opposition to any military involvement in the region and the need to maintain good relations with Mexico. [REDACTED]

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PANAMA

In December, the Delvalle government's continuing failure to meet World Bank lending requirements heightened uncertainty regarding the commercial bank refinancing package and the IMF standby agreement, setting the stage for a new financial pinch in 1986. International bankers are loathe to offer new financing until the administration develops a coherent economic policy, according to the US Embassy. We agree with the US Embassy's assessment that Delvalle's renewed call for a regional meeting on the Latin American debt reflects a desire to boost his popularity at home rather than an interest in radical solutions. [REDACTED]

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The scandal over military involvement in the Spadafora murder appears to have blown over. The political opposition posed no challenge to the government's closing of the investigation in December. Meanwhile, the ruling party chose new directors, who must be approved by a party congress tentatively scheduled for February. According to the US Embassy, the choices represent a slight shift to the left. The military, however, handpicked the new leaders and will remain the final arbiter of Panamanian politics. [REDACTED]

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COSTA RICA

San Jose continued to focus on Nicaragua in December, even though border tensions eased. [REDACTED]

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[REDACTED] right-wing Costa Ricans harassed participants in a "peace march" en route to Managua. The government rescinded the marchers' visas and escorted them to the Nicaraguan border to prevent further incidents. Domestic debate over relations with Nicaragua is likely to continue, given strong anti-Sandinista sentiment--90 percent of the populace believes the Sandinistas represent a threat to Costa Rica, according to a recent poll. [REDACTED]

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REGIONAL PEACE TALKS

In early December, Nicaragua requested a six-month postponement of the Contadora negotiations, following its failure to persuade the OAS to discuss US support for anti-Sandinista insurgents and to obtain a strong anti-US resolution at the UN. According to US Embassy reporting [redacted] Managua sought the delay to allow the Contadora Group more time to pressure the US to cut off aid to the rebels. The Contadora mediators and the other Central Americans, however, believe the proposed hiatus would threaten the entire peace process, according to US Embassy reporting. [redacted]

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Nicaragua probably believes a six-month break in the talks will work in its favor. The Sandinistas can use the break to lobby new governments in Guatemala, Honduras, and Costa Rica for more flexible terms. The regime also may calculate that the mediators, faced with the threat of a total collapse of the talks, will renew entreaties for direct negotiations between Managua and Washington. [redacted]

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NICARAGUAN MILITARY BUILDUP

Late
November



Nicaraguan press announces port-improvement project at El Bluff is 45 percent complete. US Embassy speculates Soviet Bloc will provide rest of funding. 

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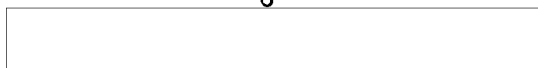
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20 December


vehicle-mounted air defense missiles deployed in four locations in northwest and central Nicaragua. No confirmation. 

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SIGNIFICANT NICARAGUAN POLITICAL EVENTS**DECEMBER 1985**

Early December	OAS approves Contadora draft resolution for resumption of US-Nicaraguan negotiations. <input type="text"/>	25X1
4 December	Human rights advocates begin "peace march" in Central America. <input type="text"/>	25X1
8 December	Taiwan suspends diplomatic relations with Nicaragua in response to Sandinista decision to establish relations with the People's Republic of China. <input type="text"/>	25X1
8 December	Managua calls for suspension of Contadora talks for six months. <input type="text"/>	25X1
17 December	UN General Assembly adopts Nicaraguan resolution against US trade embargo. <input type="text"/>	25X1
23 December	Nicaraguan pilot defects to Honduras with Soviet-made AN-2. <input type="text"/>	25X1

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NICARAGUAN TRIPS/VISITS

DECEMBER 1985

10 December	Vice President Ramirez visits Caracas for meeting with Venezuelan President Lusinchi. [REDACTED]	25X1
16 December	Guatemalan President-elect Cerezo visits Managua and proposes creation of Central American parliament to seek solutions to regional crises. [REDACTED]	25X1
18 December	First Vice President of the USSR National Committee, Alexander Kachanov, visits Managua for Soviet-Nicaraguan Mixed Commission meeting with Minister of Foreign Cooperation Ruiz. [REDACTED]	25X1

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COMING EVENTS IN CENTRAL AMERICA DURING JANUARY

January	Third anniversary of establishment of Contadora Group. []	25X1
11-12 January	Contadora will meet in Caracas to discuss status of the group. []	25X1
14 January	Inauguration of Guatemalan President Cerezo and 100-member Congress. []	25X1
25 January	Installation of new Congress	
27 January	Inauguration of Honduran President Azcona. []	25X1

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